

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Credit Committee
June 9, 2021

The Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing” or “Corporation”) was held on Wednesday, June 9, 2021 at 9:30 a.m. The meeting was held via telephone conference call pursuant to Executive Order 20-46 (extended by Executive Order 21-59).

Carol Ventura, Executive Director, introduced Carl Rotella, Director of Information Technology, who summarized the parameters of the meeting.

Mr. Rotella stated that (i) the meeting would be recorded and available for review on the RIHousing website within 3-5 business days after the meeting and (ii) except for the Committee members, Board of Commissioners (in attendance) and specific RIHousing staff, all callers would be muted during the meeting. Mr. Rotella announced that if during the meeting, anyone had technical difficulties with audio or accessing the call, they should call (401) 457-1240.

Next, Corinne Myers, Acting General Counsel, provided additional information for those participating in the meeting. Ms. Myers stated that (i) pursuant to Executive Order 20-46 (as extended by Executive Order 21-59 and as may be further amended or extended), the meeting was being held via teleconference, (ii) members of the public could visit the RIHousing website to view the agenda and information on the actions being taken and (iii) in the event the teleconference was interrupted, staff would stop the meeting until audio was restored.

Ms. Myers also stated that Committee Chairman Orth would preside over the meeting and requested that any Commissioner or staff state their name prior to speaking and mute the phone when not speaking. Ms. Myers then invited Committee Chairman Orth to call the meeting to order.

A quorum being present, Committee Chairman Orth introduced himself and officially called the meeting to order at approximately 9:35 a.m. Committee Chairman Orth then invited Ms. Ventura to proceed with the roll call of Commissioners and RIHousing staff in attendance.

Ms. Ventura then conducted a roll call vote of Commissioners and staff participating in the meeting. Commissioners participating via conference call were: Committee Chairman Orth; Chairman Nicolas P. Retsinas; and Elizabeth Tanner, Director of the Department of Business Regulation. Maria Barry was absent.

RIHousing staff participating were: Carol Ventura, Executive Director; James Comer, Deputy Executive Director; Kara Lachapelle, Chief Financial Officer; Lisa Primiano, Chief Operating Officer; Christine Hunsinger, Chief Strategy & Innovation Officer; Corinne Myers, Acting General Counsel; Anne Berman, Assistant Director of Development; Michael Liberatore, Senior Real Estate Development Officer; Milton Baxter, Development Officer; Jeffrey Swanson, Development Officer; Michael DiChiaro, Assistant Director of Asset Management; and Carl Rotella, Director of Information Technology.

Committee Chairman Orth announced that in consideration of everyone’s time staff has respectfully requested that the budget discussion be presented first following the action items.

The following matters were then discussed by the Committee.

1. Approval of Minutes of the Credit Committee Meeting Held on May 12, 2021

Committee Chairman Orth asked for a motion and a second for the approval of the minutes of the Credit Committee meeting held on May 12, 2021. A motion was made by Commissioner Tanner and seconded by Chairman Retsinas. There being no discussion, Corinne Myers, Acting General Counsel conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Chairman Retsinas	Aye
Commissioner Tanner	Aye

Ms. Myers then stated that the following was unanimously adopted:

VOTED: That the minutes of the Credit Committee Meeting held on May 12, 2021 are hereby approved.

2. Recommendation for Firm Approval of Financing for Forest Farms Assisted Living (Middletown)

Committee Chairman Orth recognized Milton Baxter, Real Estate Development Officer who made the presentation.

Mr. Baxter said that staff was seeking firm approval of a \$2,500,000 first mortgage, a Capital Magnet Fund loan of \$750,000 and a Home Investment Partnership Program (“HOME Loan”) of \$850,000 for Forest Farms Assisted Living (“FFAL”) a licensed assisted living facility located in Middletown, RI originally constructed and financed by RIHousing in 1999 using LIHTC and other financing. The property currently has 50 one-bedroom assisted living apartments contained in a single building, of which 35 are LIHTC and receive Medicaid Waivers from the State of RI. The project reached the end of its initial compliance period in 2014 and the equity investor limited partner, National Equity Fund, exited the partnership in 2015.

In addition to the assisted living apartments, the building features a commercial kitchen, dining room, library and other common activity rooms to service the needs of the residents. Church Community Housing Corporation (“CCHC”) was the original developer of FFAL and is proposing this refinancing to undertake a moderate rehabilitation of the property. The building is attached to the Royal Middletown Nursing Centre (F/K/A Forest Farms Healthcare Center) (“Royal”). FFAL and Royal have a contractual relationship in which an affiliate of Royal provides meals and services to FFAL. FFAL is responsible for the property management traditional to a residential property.

CCHC is proposing over \$4.5MM in improvements to the property and the planned scope of the rehabilitation includes replacing the roof and installing solar panels, replacing boilers and hot water tanks with new efficient systems, installing new efficient heat pumps for each unit for improved heating and cooling within the units, upgrading the sprinkler and fire alarm systems to meet current code requirements and improve life safety, upgrading the commercial kitchen and decommissioning one market rate unit to allow for expanded kitchen operations with space for food preparation and storage space, replacing the generator, and making site improvements.

FFAL's operations have been inconsistent over the past 20 years due to the vagaries of the state's Medicaid Waiver. In 2018, the reimbursement rate increased from \$43/day to \$69/day which stabilized the service component of the program. In addition, FFAL received 30 project-based vouchers in the fall of 2020 which has increased NOI and stabilized operations.

Committee Chairman Orth thanked Mr. Baxter for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Financing for Forest Farms Assisted Living (Middletown).

A motion was duly made by Commissioner Tanner and seconded by Chairman Retsinas.

Following the motion, Committee Chairman Orth asked if anyone had questions or comments.

A brief discussion ensued with Chairman Retsinas inquiring about the assisted living component of the project and wanted to know what RIHousing's experience has been with these facilities. Ms. Berman mentioned that this project was the first one that RIHousing financed in 1999 and it was a bit rocky in the beginning. Since then, RIHousing has financed three (3) other facilities and the projects are significantly more stable. Forest Farms is now in a much better situation with the Medicaid waivers and with the addition of thirty (30) project-based vouchers, the development is in good shape. Ms. Berman also stressed that there is a tremendous need in the market for these facilities.

Chairman Retsinas agreed and noted that Church Community Housing is an established and experienced developer and always produces quality work.

Committee Chairman Orth acknowledged that there are fifteen years left on the compliance period and noted that five (5) units are not covered by vouchers. The Committee Chairman asked how those rental units are categorized. Mr. Baxter responded that those units comply with the regulatory agreement and were based on the initial analysis performed.

Committee Chairman Orth then asked if staff has received the sign off sheets for the projects. Ms. Berman confirmed that the sign off sheets for all the projects have been received and she will share those with the Commissioner Orth.

There being no further questions, Corinne Myers, Acting General Counsel, conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Chairman Retsinas	Aye
Commissioner Tanner	Aye

Ms. Myers stated that the recommendation for Firm Approval of Financing for Forest Farms Assisted Living (Middletown) was unanimously approved.

3. Recommendation for Preliminary Approval of Financing for Riveredge Apartments
(Providence)

Committee Chairman Orth introduced Jeffrey Swanson, Real Estate Development Officer, who presented the request.

Mr. Swanson stated that this request was seeking preliminary approval of a \$16.1 million tax-exempt construction loan of which \$10.5 million would remain as a permanent first mortgage. The funds would be used for the acquisition and rehabilitation of Riveredge Apartments (the “Development”), an existing 99-unit low-income apartment building located in Providence, RI. Cornell Management Corporation (“CMC”), will undertake a \$5 Million rehabilitation of the property to update all common areas, rehabilitation of approximately 60 residential units, updates to mechanical, electrical, and plumbing systems, and exterior and site improvements. There will be significant focus on energy conservation.

Riveredge Apartments is a 6-story, steel-frame, concrete building originally constructed in 1980. It has 89 one bedroom and 10 two-bedroom apartments for elderly and disabled households. Amenities include a community room, business center, outside patio and sitting areas. The Section 8 HAP contract which covers all 99 units was recently renewed for 20 years with rents marked up to market. The current partnership acquired the property in February 2006 using bond financing and LIHTC through RIHousing. A moderate rehab of about \$11,000 per unit was completed at that time.

The existing limited partner Richman Capital has confirmed that the initial compliance period for the Development expired in December of 2020. Richman Capital has indicated a desire to exit the existing partnership and re-syndicate the new Development.

Finally, Mr. Swanson said that CMC will undertake a \$5,000,000 rehabilitation of the property as part of this proposed transaction. The scope includes renovation of 60 residential units with updates such as: energy efficient appliances, new kitchens, new bathrooms, new floor coverings, and refreshed paint. Additionally, all the common areas will be updated with fresh paint, floor coverings and new lighting. Improvements will be made to the existing mechanical, electrical, and plumbing systems as well as elevator upgrades. Exterior repairs include new windows throughout the building, installation of a new roof and solar panels, and replacement of the exterior Dryvit and aluminum panels with new fiber cement panels. The net result of the completed proposed scope of work is expected to be a refreshed, energy efficient building that will extend the life of the Development well into the future.

Following the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners the Preliminary Approval of Financing for Riveredge Apartments (Providence).

A motion was made by Commissioner Tanner and seconded by Chairman Retsinas.

Committee Chairman Orth commented that this is a solid proposal with an established entity. The Commissioner was extremely pleased with the amount of rehab proposed for the development.

Corinne Myers, Acting General Counsel, then conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Chairman Retsinas	Aye
Commissioner Tanner	Aye

Ms. Myers then stated that the recommendation for Preliminary Approval of Financing for Riveredge Apartments (Providence) unanimously was approved.

4. Recommendation for Approval of Transfer of Physical Assets (TPA) and Prepayment for Cove Properties (North Kingstown)

Committee Chairman Orth invited Anne Berman, Assistant Director of Development to give the presentation.

Ms. Berman said that this request is for the approval of the transfer of the limited partnership interest in Cove Properties (the “Development”), an affordable housing development for families located on Huling Road in North Kingstown, and the prepayment of the first mortgage loan of the Development.

The Development consists of 18 apartment units in 14 buildings and associated parking. Originally developed as affordable housing in 1992, the Development was financed utilizing the LIHTC Program and financing from RIHousing. The Development’s 30-year Regulatory Agreements expire in 2023.

Under RIHousing’s Rules Relative to Multifamily Loan Programs, Proposed Prepayments or Transfers, 825-RICR-30-00-3 (as amended from time to time, the “TPA Regulations”), project owners must obtain RIHousing’s approval and comply with RIHousing’s administrative procedures for the transfer of physical assets and prepayment of the mortgage before conveying, assigning or transferring any ownership interest in a multifamily housing project.

The owner of the Development is Cove Properties of Wickford, L.P. (“Cove LP”). Cove Properties of Wickford, Inc. (“Cove Inc.”), the general partner of the Development and a Rhode Island domestic profit corporation, holds a 1% interest in the partnership. The current investor limited partner in the Development is the Rhode Island Housing Equity Pool, L.P. (the “Equity Pool”), which holds a 99% limited partner interest. Cove LP has requested RIHousing’s approval of the transfer of the limited partnership interest currently held by the Equity Pool, to Cove Inc. or its nominee (the “Transferee”). The Transferee will assume all existing obligations encumbering the Development. The transfer would be consistent with the planned dissolution and liquidation of the Equity Pool as established by September 18, 2014 resolution of the general partner of the Equity Pool, the RIH Equity Corporation. The RIH Equity Corporation then delegated broad decision-making authority to RIHousing officers pursuant to a resolution dated September 17, 2020.

Immediately after the transfer of the limited partnership interest, Cove LP will sell the Development to Valley Affordable Housing Corporation (“VAH”), a state-wide non-profit developer based in Cumberland. As part of the acquisition, VAH intends to prepay the first mortgage, which has a remaining principal balance of approximately \$140,000, repay the accrued interest on the existing Targeted Loan of approximately \$323,000, and assume the principal balance of the Targeted Loan in the approximate amount of \$250,000. Repayment of the first mortgage is subject to RIHousing approval.

The staff of the Asset Management Department and Development Division jointly reviewed this request under the TPA Regulations and determined that the proposed transaction complies with the regulatory requirements. VAH will operate the Development under the existing regulatory agreements and is considering several alternatives for refinance and long-term positioning as affordable housing.

VAH's affiliate Pinnacle Property Management LLC ("Pinnacle") will take over as property manager. Pinnacle manages multiple properties in the RIHousing portfolio, including the recently completed Reynolds Farm Senior Housing, which is approximately one mile from this Development. The transfer of the limited partnership interest in the Development will allow Cove, Inc. to (i) buy out the limited partner after the limited partner's tax credits have been fully utilized but before the initial compliance period expires, and (ii) sell the Development to VAH, a non-profit housing developer committed to the long-term preservation of affordable housing.

After the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Approval of Transfer of Physical Assets (TPA) and Prepayment for Cove Properties (North Kingstown).

A motion was duly made by Commissioner Tanner and seconded by Chairman Retsinas.

A short conversation followed where Committee Chairman Orth addressed the repayment of the accrued interest on the targeted loan and asked why the balance was so high. Ms. Berman explained that this is a small development. The previous management company was unsophisticated in its business acumen, but Valley Affordable Housing has a highly sophisticated team in place that brings a professional and astute management forum to the business.

Following the comment, Ms. Myers, Acting General Counsel, conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Chairman Retsinas	Aye
Commissioner Tanner	Aye

Ms. Myers stated that the recommendation to recommend to the Board of Commissioners the Approval of Transfer of Physical Assets (TPA) and Prepayment for Cove Properties (North Kingstown) was unanimously approved.

5. Recommendation for Approval of the Draft 2022 Qualified Allocation Plan (QAP)

Committee Chairman Orth noted that Anne Berman, Assistant Director would also report on this request.

Ms. Berman began by stating that as in previous years, prior to drafting revisions to the QAP, various meetings were held with stakeholders, including non-profit, for-profit partners and policy organizations such as the United Way to seek input and explore relevant issues. During those meetings, there was a consensus among the participants pertaining to rising construction costs, cost containment and financial metrics.

Continuing, Ms. Berman said that RIHousing has administered the LIHTC program in Rhode Island under a Plan that was first adopted in January 1990. The Plan was last amended in August 2020. The 2022 Plan is being adopted as a guidance document in accordance with the Rhode Island Administrative Procedures Act. Rather than being filed with the Office of the Secretary of State, the Plan will be immediately available on the RIHousing website.

Staff has proposed the changes summarized below to the following sections of the Plan. These changes seek to amplify and explain our goals and procedures.

SECTION	CHANGE	REASON
Introduction and Section I(A)	Modified program overview language	To update language, ensure consistency of terms
Section I(B)	Updated annual allocation	To reflect most current available data and accommodate future changes to federal regulations
Section I(C)(2)-(3)	General information updated; housing needs updated	To reflect the proposed consolidated plan for 2020-2024, current information and current state data
Section I(D)	Deleted floating 4% rate references	To reflect change in federal law fixing the 4% rate
Section I(E)-(O)	Updated language	To conform to current practice; ensure uniform consistency of terms
Section II(A)	Updated funding round schedule	To reflect current year
Section II(B)	Provided additional information relative to the QAP and Developer's Handbook	To ensure applicants are familiar with the most current requirements
Section II(C)	Deleted reference to set-aside	No set-asides proposed for current QAP
Section III	Increased maximum unweighted total development cost (TDC) to \$385,000	To reflect current volatility in the building construction industry
Section III(A)(1)-(4)	Ministerial corrections	To clarify and promote consistency
Section III(B) - Financial Leveraging	Eliminated reserves from TDC calculation	To reflect that reserves are operating costs, not capital costs, required by lenders and syndicators, and are not controlled by applicant
Section III(B) - Financial Leveraging	Modified the building types for determining weighted TDC	To better represent the types of buildings being proposed
Section III(B) – Financial Leveraging	Deleted points associated with the request for State and RI Housing resources	To reflect (i) the overall increase in project costs due to volatility in market, and the need for soft sources given the 40% per project

		cap on LIHTC and (ii) the acknowledgement that the State and RI Housing have additional resources to allocate for production of affordable homes
Section III(B) – Financial Leveraging	Added points for the production of 3-bedroom or larger family units	To create scoring parity for larger units
Section III(B) – General Points	Added clarification that homeless families must come from the Coordinated Entry List	To provide an incentive to utilize the HUD 811 voucher program
Section III(B) – General Points	Added language that discourages applicants who do not have zoning approval from applying for LIHTC	To support that applicants without zoning approval typically do not pass the readiness to proceed requirements
Section III(B) – General Points	Moved points for projects located in an Opportunity Zone to this section and increased points for projects leveraging OZ equity	To encourage development in Opportunity Zones
Section III (B) - Comprehensive Community Development	Reoriented criteria to focus on Transit and Connectivity, Areas of Opportunity, Engagement and Services	To delete outmoded criteria and better incentivize applications that align with state goals.
Section III(B) Transit and Connectivity	Added Walk Score	To consolidate several existing components focused on walkability and access to transportation and resources
Section III(B) Transit and Connectivity	Added Transit scoring system	To align with “Transit Forward RI 2040” goals and incentivize development of projects with good access to transit options
Section III(B) - Areas of Opportunity	Added scoring for developments located in high-performing school districts	To incentivize development in areas with high-performing schools recognizes that education can lead to lower poverty rates and increased college attendance and earning power
Section III(B) - Areas of Opportunity	Modified amount and type of commercial square footage	To (i) incentivize non-residential square footage that better serves the community and (ii) recognize that there is currently a surplus of

		commercial space due to the COVID pandemic
Section III(B) - Areas of Opportunity	Added GIS Mapping	To help steer development to communities that most need affordable housing to better align with state goals
Section III(B) - Engagement and Services	Modified requirements for public engagement process	To make the process more meaningful by requiring engagement to be conducted within 12 months of the application submission, and allow for multiple platforms for engagement
Section III(B) Engagement and Services	Added points for the provision of free broadband access to residential developments	To minimize the digital divide and ensure connectivity for residents of LIHTC units
Section III(B) - Engagement and Services	Added points and criteria for provision of services to residents	To consolidate several existing components focused on service provision and incentivize services that will most benefit the specific resident population
Section III (B) - Community	Added points for development in census tracts with an average AMI that exceeds 100% AMI	To incentivize development in low-poverty locations in exempt communities
Section III (B) - Community	Modified definition for infill lots	To accommodate a more comprehensive review of infill in less urban communities
Section III (B) - Efficiency	Increased points for Net Zero or Passive Housing	To recognize the additional cost associated with the development of energy efficiency and reward developers accordingly
Section III (B) - Efficiency	Reduced the points for Utility Benchmarking (UB)	To recognize that UB is more common in the industry
Section III (B) – Negative Points	Eliminated 12 month waiting period for applicants assessed negative points	To eliminate additional penalty
Section III(C)	Updated narrative detail to the criteria in the scoring section	To conform with changes to the Comprehensive Community Development Criteria and scoring

Section VII	Updated compliance monitoring requirements	To comply with Treasury Regulations and references to the RIHousing Compliance Monitoring Handbook
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Staff held three (3) meetings with stakeholders to discuss current trends in the construction industry, market challenges, community needs, challenges associated with both urban and non-urban development, as well as differing community needs. The 2022 Plan seeks to focus on several areas: the increased cost of development, incentivizing the development of units to serve a broader spectrum of households, and better alignment of the QAP with the goals of other state planning documents.

The proposed Plan was presented as Attachment B to the related request for action, and included as part of the June 9, 2021 Credit Committee package.

In closing Ms. Berman said that the 2022 Plan will become final upon the expiration of the public comment period; final approval by the Board of Commissioners of the 2022 Plan (including any changes reflective of public comments received and/or comments from the Credit Committee); approval by the Governor; and posting to the RIHousing website.

The public comment period will begin on or about June 22, 2021. A public hearing will be held following the publication of the proposed 2022 Plan, with final submission to the Board of Commissioners expected in August 2021.

Following the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Approval of the Draft 2022 Qualified Allocation Plan (QAP).

A motion was duly made by Commissioner Tanner and seconded by Chairman Retsinas.

A brief dialogue followed. Committee Chairman Orth expressed his appreciation to Ms. Berman and staff for their efforts and work on the QAP. The Committee Chairman commented that the process was inclusive and comprehensive dialogue was shared with partners and stakeholders.

The Committee reviewed the category for points for broadband services and suggested that points should be awarded if a developer not only provides the infrastructure, but actual broadband services to its residents.

Ms. Ventura mentioned that depending on the number of units in a development, the rent could not support those services. It's a balance of how much RIHousing can build and what the projects can support.

Michael DiChiaro, Assistant Director of Asset Management confirmed the fact that the majority of the rents for RIHousing's existing portfolio are around 50-55% AMI. However, for new deals, staff is underwriting closer to 60%. Mr. DiChiaro then said that he will review the numbers and provide additional information to the Committee.

Ms. Ventura stated that potential broadband funds will be forthcoming to the State and there will be opportunities for new programs. RIHousing will be at the table with the State for these conversations and will offer suggestions and strategies for the utilization of those funds. Ms. Ventura then elaborated that this topic is important to the State and that leadership is on top and actively working on this issue.

Committee Chairman Orth commented on the areas of opportunity, saying that it's a great product and noted some key items such as economic growth, health care as some advantageous areas of inclusion. Ms. Berman explained that it could be a challenge, but she would research information in GIS mapping and identify those specific metrics to determine what data is available.

The Committee also discussed the provision for services to understand what residents really need such as childcare and elder services and prioritize those needs. The Committee also touched on the community section of the QAP regarding the 10% affordable housing requirements for cities and towns along with allocating points for developers building in exempt communities, specific census tracts, areas of opportunity and energy efficiency.

Chairman Retsinas also asked if the total development was lowered. Ms. Berman confirmed that the cost was not decreased.

Also reviewed was confirmation that fair housing regulations was addressed in the QAP. Ms. Berman affirmed that the fair housing agenda was beefed up significantly.

Finally, Commissioner Orth praised the points allocated for construction in specific census tracts and suggested that as the QAP contains numerous acronyms, it would be advantageous if those acronyms be spelled out for everyone who might not be familiar with them.

There being no further discussion, Corinne Myers, Acting General Counsel, then conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Chairman Retsinas	Aye
Commissioner Tanner	Aye

Ms. Myers stated that the request to recommend to the Board of Commissioners the Preliminary Approval of the Draft 2022 Qualified Allocation Plan (QAP) was unanimously approved.

Commissioner Tanner left at this point of the meeting at approximately 10:34 a.m.

6. Discussion:
 - a. Fiscal Year (FY) 2022 Operating Budget

Committee Chairman Orth noted that as previously stated the Committee would review the Fiscal Year 22 Operating Budget first. Committee Chairman Orth then invited Ms. Ventura to give the budget presentation.

Ms. Ventura began by thanking Kara Lachapelle, Chief Financial Officer, the Finance Department and Lisa Primiano, Chief Operating Officer, for their efforts in preparing the budget and congratulated

the team on proactively assembling the budget for approval in June, three (3) months earlier than anticipated.

The Director then said that with the assistance of Ms. Lachapelle, she would walk through the budget highlights for the Committee. Ms. Ventura referred the Committee to the budget package that included a summary memorandum, the programmatic and operating budget forecasts, and various charts.

Ms. Ventura said that the highlights in this year's budget include an increase in multi-family taxable preservation transactions due to continued low interest rates, an increase in homeownership loan production based on current year results and the administration of new federal programs resulting in increases in operating expenses and staffing. Additionally, the Corporation continues to invest in technology as that function is critical with staff working remotely and a merit increase for staff.

The administration of the new federal programs has resulted in increases in operating expenses and staffing. The proposed budget for FY22 projects bottom line net revenue of \$8.0 million. This is an increase over the prior year net revenue budget of \$7.7 million and a decrease from the anticipated actual net revenue for FY21 of \$10.9 million. Net interest income is the largest component of revenues and reflects a decrease from prior year budget. Ms. Ventura said that this is due to loans still in forbearance and the anticipated timeframe to reinstate mortgage payments.

Ms. Ventura then referred the Committee to page three (3) of the budget package and briefly touched on the program budget noting the various programs RIHousing administers and funds. Ms. Ventura said that RIHousing continues to focus and fund critical housing programs that include increasing digital equity/broadband service for low income Rhode Islanders, expanding the downpayment assistance program to more borrowers, and creating a reserve for first-time homeowners to assist with unexpected emergencies. Ms. Ventura was also happy to report that the Corporation will continue to fund LISC NDF programs. Additionally, RIHousing plans to continue its investment in green energy by partnering with National Grid and the Office of Energy for the ZERO program.

Ms. Ventura then stated that the FY22 budget also reflects an increase in loan loss reserves. Staff currently reserves \$47 million for loan losses but believes it to be prudent to provide an additional \$3 million for losses.

At this point, Ms. Ventura paused for questions.

Committee Chairman Orth asked if the provision for loan loss is sufficient. Ms. Lachapelle responded that staff, along with the Corporation's external auditors reviews the portfolio to determine what amount is required to adequately fund the reserves. The CFO confirmed that the allocation of an additional \$3 million for a total of \$50 million was determined to be sufficient.

Chairman Retsinas asked if RIHousing has an ongoing contract in place with the auditors to review the Corporation's financials. Ms. Lachapelle affirmed that fact, explaining that the auditors perform a financial analysis on a quarterly basis.

Committee Chairman Orth appreciated the breakdown of the program budget as it's helpful to see where funds are being allocated and to see where priorities are based. The Committee Chairman

wanted to recognize that RIHousing should be focused on decreasing segregation and that it should be a priority for the Corporation.

Ms. Ventura responded that staff does focus on this goal and has two initiatives budgeted to address patterns of segregation. An escrow program has been established for borrowers to promote saving for housing emergencies, along with a \$25,000 downpayment assistance program targeted to those residing in minority census tracks.

Furthermore, staff is working with partners to engage community support in those minority census tracks to educate, inform, and assist in building affordable, stable housing for those populations.

Chairman Retsinas noted that it's really a situation of properly identifying and labeling the programs. Ms. Ventura agreed saying that the term community development does not sufficiently tell the story, however such initiatives, including digital equity, are exactly what RIHousing is doing to help, along with programs designed to help families build wealth through homeownership.

Committee Chairman Orth said that he would like to see those programs brought to the fore. Ms. Ventura said that she will work with the Communications department to better illuminate those areas.

Committee Chairman Orth also asked staff to provide net equity to assets ratio information to be shared with the Board. Ms. Ventura said she will forward that information.

Kara Lachapelle, Chief Financial Officer, next summarized the operating budget.

Ms. Lachapelle remarked that Ms. Ventura gave an excellent summary of the FY 22 budget and proceeded to discuss the proposed budget estimates for net revenue. Net interest income (the spread between mortgage rates and borrowing rates) is the largest component of revenues and reflects a decrease from prior year budget. This is due to loans still in forbearance and the anticipated timeframe to reinstate mortgage payments.

Ms. Lachapelle then stated that the FY 22 budget reflects an increase in loan loss reserves. Staff currently reserves \$47 million for loan losses but believes it to be prudent to provide an additional \$3 million for losses. Ms. Lachapelle explained that the majority of RIHousing's portfolio is stocked with FHA insured loans, which mitigates potential losses. However, staff also reviewed the provision for loan loss reserves with the auditors and determined that \$3 million is an adequate amount for that line item.

Continuing, the CFO said that fee income reflects a \$9.1 million increase relating to administration of new federal programs for rental and mortgage assistance. These fees are reimbursement for the increase in operating expenses of staffing and administration for these programs.

Ms. Lachapelle then briefly provided an overview of the programmatic budget and said that the FY22 total of expenses increased by 5.6%. The budget also displays an increase in operating expenses which is projected due to the heightened technology needs for remote work and new programs, along with an increase in the costs of health benefits.

Next, Ms. Lachapelle referred the Committee to her report and mentioned that the graph on page 6 depicts revenue and expenses broken down by division.

Page 7 of the report provides a five (5) year historical outline of budgeted revenue and page 8 shows the comparison of expenses for prior years.

Finally, Ms. Lachapelle stated that pages 9 and 10 contain a breakdown of actual expenses with RIHousing ending the year under budget.

Ms. Lachapelle then welcomed questions from the Committee.

Committee Chairman Orth referenced the graph on page 6 of the presentation and asked if it is a true picture of net revenue, including all costs. Ms. Lachapelle replied that the chart depicts revenue by division and expenses by division separately, and how the individual business units contribute to the overall revenue of the Corporation.

Chairman Retsinas inquired if those numbers included health insurance premiums. Ms. Lachapelle confirmed that the Executive Division chart includes all expenses for IT, Facilities, and Human Resources services such as health insurance and related benefits.

Commissioner Orth then suggested that staff include a graph depicting the FY 2022 net revenue by division to the budget presentation. Ms. Lachapelle responded that she would supply the requested graph.

Committee Chairman Orth also referenced the payroll taxes, employee benefits and salary line of the budget, noting that it appeared especially high and asked how those figures compare with other HFAs. Ms. Lachapelle explained that number also includes allocation projections for post retirees which is based on the number of employees and what the theoretical amount would be in the case the Corporation has to expend those funds. Moreover, it's extremely difficult to locate and retain qualified staff and an attractive health and benefit package is a helpful recruiting tool.

Committee Chairman Orth then asked if there's a benchmark for crafting these budgets. Ms. Lachapelle reported that a benefits consultant reviews the Corporation's financial strategies to determine what benefits are appropriate to include in the budget.

In closing, Committee Chairman Orth thanked Ms. Ventura and Ms. Lachapelle for the excellent presentation. He said the Committee appreciated the opportunity to discuss the budget.

There were no votes taken regarding this item.

b. Naturally Occurring Affordable Housing (NOAH) Program Discussion

Committee Chairman Orth announced that this is a great program and introduced Anne Berman to give a brief overview of the program. Ms. Berman gave a brief highlight of the program acknowledging that Michael Liberatore, Senior Real Estate Development Officer did an excellent job in drafting the parameters of the program and invited Mr. Liberatore to outline the program.

Mr. Liberatore said that the intention of the NOAH program is to provide financing to housing developers pursuing the preservation of existing affordable housing with rents at 80% AMI or less. The RIHousing NOAH loan program will require at least 40% of the units be restricted to 80% AMI

for 20 years. The program is available to all applicants pursuing NOAH developments that would otherwise not qualify for conventional loans either due to conventional lending terms or borrower liquidity requirements.

Continuing, Mr. Liberatore announced that Borrowers such as community development corporations (CDC) and novice for-profit developers would be the likely applicants pursuing this program because the NOAH terms align with a CDC's mission and offer a steppingstone with reduced equity and higher leverage for novice developers.

Existing housing currently occupied at affordable rates (for purposes of this program generally defined as approximately 60%-80% of AMI) generally costs less to acquire and rehabilitate than the development of new affordable housing units using tax credits and other state resources. For example, the least expensive 9% tax credit proposal in the recent round was \$275,000 per unit while the most expensive was nearly \$375,000 per unit. Staff expects NOAH deals to cost \$150,000 to \$200,000 per unit based on our preliminary survey of available properties and require less, if any soft debt.

Finally, Mr. Liberatore said that the loan size and deal terms may be adjusted based on an assessment of the borrower's financial capacity. Additionally, RIHousing does not envision using these loan terms to develop housing that requires other soft financing (e.g., HOME, HTF, BHRI, etc.).

A short conversation ensued where the Committee discussed how RIHousing can distinguish itself from other lenders with this program. Mr. Liberatore said that it's difficult to compete with known entities such as Washington Trust, however, RIHousing can offer better debt to value ratios and focus on younger developers who have long range goals to achieve and do not qualify for conventional financing.

Ms. Berman also mentioned that staff spoke with Laurel Bowerman at Washington Trust regarding the program stating that Washington Trust would not work with a developer who has a 90% LTV, so this is a market that is needed. A smaller developer will pay a higher rate to secure financing.

Committee Chairman Orth touched on limiting cash out refinances to 80% of LTV and asked if staff has any thoughts on that option. Ms. Berman said that the concept has not been discussed in detail but will review that suggestion.

The Committee also reviewed the proposed interest only period of eighteen (18) months, the rent restrictions and compliance implications and utilizing a lighter format than required for tax credit financing.

Finally, Committee Chairman Orth applauded the twenty (20) year compliance period and commended staff on a well-conceived and effectively presented program.

There were no votes taken regarding this item.

Adjournment

There being no further business to discuss, Committee Chairman Orth asked for a motion to adjourn the meeting. A motion was duly made by Commissioner Barry and seconded by Chairman Retsinas to adjourn the meeting.

Ms. Myers then conducted a roll call vote of the Commissioners in response to a motion for adjournment. The Commissioners voted as follows:

Commissioner Orth	Aye
Chairman Retsinas	Aye

The meeting was adjourned at 11:23 am.

In closing, Committee Chairman Orth thanked and wished everyone a good day.

Respectfully submitted

Carol Ventura, Secretary and Executive
Director